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SUBJECT: KOSTI'S NEW IDLE PORT INDICATIVE OF CPA DELAYS

¶1. (U) SUMMARY: In a December 4 visit to the city of Kosti, the "the river gateway to the south," emboffs visited the city's new port that remains unutilized due to Sudanese bureaucratic in-fighting. Motivated by the signing of the Comprehensive Peace Agreement, the Sudan Sea Ports Corporation (SPC) began work on a new port late in 2005 to speed the transport of goods from Port Sudan to the South and ultimately support economic development in the South. Local officials stated that a dispute between Port Sudan and Kosti officials over port fee revenues has left the port completely empty for over a year since its completion and eleven months since its formal opening by Vice-President Ali Osman Mohamed Taha. END SUMMARY.

¶2. (U) In 2005 the SPC began work on a new dry dock and river port in Kosti to facilitate customs clearance procedures and alleviate congestion in Port Sudan. Local officials from White Nile State's Ministry of Investment and the Economy told emboffs that the idea of the project came from the CPA's mandate to support economic growth in the south (as mandated by the wealth sharing protocol, 1.7-1.9.). Material with a final destination in the South should be transported directly to Kosti's dry port for customs clearance, inspection, and storage. Thus a new river port with space for four large barges was created adjacent to the dry port to speed transportation of goods to the south. Officials claimed that for an introductory period, port fees would be reduced by 50% by using this new facility.

¶3. (U) The dry port has an area of 2 million square meters with a warehouse capacity for 150,000 containers in three warehouses (one of 4000 square meters and two others of 1000 square meters). Two reach stackers, four fork lifts with 10-ton capacity, and a 50 ton crane were also purchased for the dry port site. Despite the port not yet being operational, approximately 6 customs officials and ten other employees of the dry port sat in empty offices during the site visit.

¶4. (U) Local officials from the Investment Committee of White Nile State stated that "political problems" prevented the start of the dry dock's operations. Although they also emphasized that technical difficulties with the communication system also prevented operations, the General Director of the Resources Committee of White Nile State, Khaidar Daoud Muhammad Touam, later told emboffs that the real reason for its delay in operations is due to an ongoing quarrel between Port Sudan and Kosti officials in the Sea Ports Corporation. (Note: The Sea Ports Corporation is an independent authorized body acting on behalf of the central Government and holding the responsibility of operating and managing Sudan's ports. End Note.) According to Touam, the former managing director of SPC started the Kosti project, but was soon replaced by a native of Port Sudan, Ibrahim El-Amin Ahmed, after the signing of the Eastern Sudan Peace Agreement. According to Touam, Ahmed realizes that Kosti's port will result in lost revenue to his home town and state and therefore he has intentionally delayed its operations. Touam said that he will travel to Port Sudan next week to lobby Ahmed and the executive board of SPC, but that he expects that he and other

officials from White Nile State will have to raise the issue with higher levels at the Ministry of Transportation.

¶5. (U) In a separate visit to Kosti's old and active port, the director of the River Transport Company, Ismail Mahmoud Ismail, expressed his disappointment that the South continues to import material through Kenya and Uganda, rather than through Port Sudan. Ismail did, however, acknowledge that his business has reaped a peace dividend from the CPA, expanding its fleet of tow boats from 7 in 2004 to 13 in 2007, and currently constructing 46 additional barges. Ismail stated that transportation through Port Sudan should be more efficient and cost-effective than going through Kenya and Uganda, but claimed that the Government of South Sudan imports material from Kenya and Uganda so that it can bypass customs fees and import items that would otherwise be illegal in the north such as alcohol.

¶6. (SBU) COMMENT: Considering the failure that it represents, it was surprising that White Nile officials chose to showcase their empty new port. Although inspired by the CPA and intended to spark economic development in the South, this multi-million dollar project appears to have only benefited the north: the northern-based SPC awarded contracts and expanded business relationships through its construction; it employed workers almost entirely from the north during construction; and the tax revenues from its operation will only go to White Nile State and the Government of National Unity. More importantly, Kosti's new port exemplifies much of what has gone wrong with economic development aspects of the CPA where greed, bureaucratic delay, and exploitation have left elements of the landmark agreement utterly vacant. END COMMENT.

FERNANDEZ